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SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

MORE ALTERNATIVE DOCUMENTATION

Earlier this month, RD AN 3683 was sent to lenders which allows the acceptance of alternative types of employment income documentation. As a result, we have re-evaluated the types of documentation needed for the GRH loan program. We have updated our inspection report and application processing checklists to reflect the acceptance of other types of alternative documentation that is currently being accepted by the secondary market and other Federal agencies. Below is a summary of changes that apply to GRH loans in Wisconsin.

- Income Verification – Follow RD AN No. 3683 (1980-D) issued November 13, 2001 to verify compliance and qualifying income using standard documentation or alternative documentation. Income that is used for qualifying purposes must meet the same stable and dependable criteria used in the past, regardless of which method of income verification (alt. doc. or standard doc.) is used.
- Rent Verification – A verification of rent (VOR) covering the past 12 months will be required for GRH loan applicants with representative credit scores below 660. This can be documented using the standard VOR form, or by providing 12 months cancelled checks for the rent payments, or by including the landlord's reference on the applicant's credit report. Rent verifications will not be required when each applicant has a representative credit score of 660 or higher.
- Deposits Verification – The standard verification of deposit (VOD) form showing the current balances of checking, savings, retirement, or other deposit type accounts can be used to document an applicant's assets. An acceptable alternative would be obtaining depository or brokerage statements for the 2 most recent months for each account.

- Property Inspections for Existing Homes – Use the attached Inspection Report for Purchase of Existing Homes (Rev. 01-01-02) or Form HUD-92564-VC (VC Form) completed by a FHA appraiser to satisfy the requirements of 1980.341(b)(1)(i). Lenders who submit Form HUD-92564-VC (VC Form) must also submit documentation that the property meets the thermal standards and property suitability guidelines described on the Inspection Report for Existing Homes (Rev. 01-01-02). Lenders must ensure that their appraisers / inspectors receive and return both pages of this inspection report since the inspector's certification must include compliance with the property criteria indicated on page 2. *Note: Discontinue the use of any Rural Development inspection report that makes reference to HUD Handbook 4150.1 or that is dated prior to January 1, 2002.*
- WI Rural Development GRH Loan Application Processing Checklist (Rev. 12-14-01) - This form has been updated to reflect the acceptance of alternative documentation
- GRH Loan Pre-Approval Processing Checklist (Rev. 12-14-01) – This form has been updated to reflect the acceptance of alternative documentation.
- Borrower Acknowledgement Statement (Rev. 01-01-02) – The attached form can be used by lenders to document the borrower acknowledgement required by 1980.353(c)(14) if it is not found on page 2 of Form RD 1980-21, Request For Single Family Housing Loan Guarantee. Lenders who copy Form RD 1980-21 out of their WI GRH lender manuals do not need to do a separate certification since it has been added to the form in the manual above the applicant's signature line. *Note: When lenders obtain Form RD 1980-21 off of the internet or from different forms vendors, the Borrower Acknowledgement Statement (or equivalent) will need to be completed since those forms do not contain the required verbiage.*

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/ SUSAN E. KOHNEN

for

PETER G. KOHNEN

Rural Housing Program Director

PGK: pjb

Enclosures

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